

City of Detroit

CITY COUNCIL

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TO: James Coon, Director
Public Lighting Department

FROM: Irvin Corley, Jr., Fiscal Analysis Director

DATE: May 2, 2006

RE: 2006-2007 Budget Analysis

24.

Attached is our budget analysis regarding your department's budget for the upcoming 2006-2007 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing. We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

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Attachment

cc: Councilmembers
Council Divisions
Auditor General
Roger Short, Interim Chief Financial Officer
Pamela Scales, Budget Department Director
June Ellis, Budget Department Team Leader
Kandia Milton, Mayor's Office

Public Lighting Department (38)

FY 2006-2007 Budget Analysis by the Fiscal Analysis Division

Summary

The Public Lighting Department (PLD) is a General Fund agency. The Public Lighting Department generates and purchases electrical power, maintains street and alley lights, traffic signals, and the electrical distribution system. The department operates the Herman Kiefer heating plant that supplies heating steam to the Kiefer complex and three Detroit Public Schools. The department assists in the operation and maintenance of the Police and Fire communication system.

The 2006-2007 recommended Net Tax Cost is \$14.54 million, a \$2 million decrease over the current year.

The capital program, which is financed with G.O. bonds, is recommended at \$12.9 million, a \$10.1 million increase over the current year.

2005-2006 Surplus/Deficit

The Budget Department has projected that the PLD will end the fiscal year with a deficit of \$5.52 million. The deficits are mainly due to higher than budgeted utility costs as well as supply costs for oil, natural gas and purchased electricity from Edison.

Overtime

The department's overtime budget for the current fiscal year is \$2.44 million.

As of March 31, 2006, the department has spent \$2.74 million on overtime.

The recommended 2006-2007 overtime budget is \$2.43 million. The history of overtime spent for the last eight fiscal years is as follows:

2004-05	\$3.38 million
2003-04	\$3.76 million
2002-03	\$5.4 million
2001-02	\$5.1 million
2000-01	\$5.75 million
1999-00	\$5.9 million
1998-99	\$4.9 million
1997-98	\$6.2 million

Personnel and Turnover Savings

Following is information by appropriation comparing budgeted FY 2005-2006 positions, March 31, 2006 filled positions and FY 2006-2007 recommended positions.

<u>Appropriation/Program</u>	<u>Budgeted Positions FY 2005-06</u>	<u>Filled Positions 03/31/2006</u>	<u>Mayor's Budget Positions FY 2006-07</u>	<u>Over/(Under) Actual to 05/06 Budget</u>	<u>Mayor's Recommended Turnover</u>	
Public Lighting (38):						
380010 General Administration	4	3	5	(1)	\$	-
380020 Production Control	1	1	1	0	\$	-
380030 Inspection & Control	4	3	3	(1)	\$	-
380040 Claims Office	3	2	2	(1)	\$	-
380060 Stores & Warehouse	6	4	0	(2)	\$	-
380070 Plant Protection	0	10	0	10	\$	-
00123 General Administration	18	23	11	5	\$	-
380090 Engineering Administration	6	6	6	0	\$	-
380100 Street Lighting Design	4	2	0	(2)	\$	-
380110 Traffic Signal Design	4	4	0	0	\$	-
380120 Trans. & Dist. Design	5	4	5	(1)	\$	-
380130 Substation Design	4	3	4	(1)	\$	-
380140 Under. Fac. Maps & Records	3	3	3	0	\$	-
00127 Engineering	26	22	18	(4)	\$	-
380100 Street Lighting Design	0	0	4	0	\$	-
380150 Supervision	3	3	3	0	\$	-
380160 Construction	18	18	18	0	\$	-
380170 Maintenance	14	15	14	1	\$	-
380180 Cables	19	18	17	(1)	\$	-
380190 Conduit	11	11	11	0	\$	-
380200 Street Lighting Maint.	12	12	12	0	\$	-
00128 Construction & Maint.	77	77	79	0	\$	-
380210 Operating Administration	3	3	3	0	\$	-
380220 System Testing	2	2	2	0	\$	-
380230 Electrical System Control	8	7	10	(1)	\$	-
380250 Electrical Maintenance	10	8	10	(2)	\$	-
380260 Building Maintenance	7	6	0	(1)	\$	-
380270 Traffic Signal Maint.	11	12	0	1	\$	-
380275 Plant Protection	11	0	11	(11)	\$	-
00129 Operating Division	52	38	36	(14)	\$	-
380280 Heat & Power Administration	7	5	7	(2)	\$	-
380290 Testing & Instrument Maint.	9	7	8	(2)	\$	-
380300 Mechanical Operations	34	30	33	(4)	\$	-
380310 Mechanical Maintenance	12	11	12	(1)	\$	-
380320 Power Plant Yard Operation	5	3	4	(2)	\$	-
380340 Kiefer Heating Plant	4	3	4	(1)	\$	-
00131 Heat and Power Production	71	59	68	(12)	\$	-
380110 Traffic Signal Design	0	0	4	0	\$	-
380270 Traffic Signal Maintenance	0	0	11	0	\$	-
12155 Traffic Signals	0	0	15	0	\$	-
38XXXX Leave of Absence	0	(4)	0	(4)	\$	-

Appropriation/Program	Budgeted Positions FY 2005-06	Filled Positions 03/31/2006	Mayor's Budget Positions FY 2006-07	Over/(Under) Actual to 05/06 Budget	Mayor's Recommended Turnover
38XXXX Worker's Comp.	0	(3)	0	(3)	\$ -
38XXXX Unmatched Positions	0	0	0	0	\$ -
TOTAL	<u>244</u>	<u>219</u>	<u>227</u>	<u>(25)</u>	<u>\$ -</u>

Significant Changes in Funding

General Fund

	2004-2005 Actuals	2005-2006 Redbook	2006-2007 Rec.	Variance	% Difference
Salary and Wages	\$ 14,898,355	\$ 12,346,037	\$12,386,975	\$ 40,938	0.03%
Employee Benefits	\$ 9,109,667	\$ 6,481,342	\$ 9,070,297	\$ 2,588,955	39.94%
Prof Contractual Svcs.	\$ 2,356,561	\$ 620,940	\$ 496,611	\$ (124,329)	(20.02)%
Operating Supplies	\$ 32,558,879	\$ 42,626,777	\$30,533,043	\$ (12,093,735)	(28.37)%
Operating Services	\$ 10,793,988	\$ 5,901,829	\$14,318,535	\$ 8,416,706	142.6%
Capital Equipment	\$ 13,725,682	\$ 2,800,000	\$12,900,000	\$ 10,100,000	360%
Other Expenses	\$ 1,232,820	\$ (489,575)	\$ (336,642)	\$ 152,933	31.24%
Total Approp.	\$84,675,952	\$ 70,287,350	\$ 79,368,819	\$ 9,081,468	12.92%
Revenues	\$59,894,796	\$ 53,738,116	\$64,831,116	\$ 11,093,000	20.64%
Net Tax Cost	\$ 24,781,156	\$ 16,549,234	\$ 14,537,703	\$ (2,011,531)	12.15%

Capital Fund

The recommended G.O. bond sale for PLD increases by \$10,100,000 to \$12,900,000 and is proposed to be used for system improvements.

Public Lighting (38)

Budgeted Professional and Contractual Services by Activity	FY 2005-06 Budget	FY 2006-07 Recommended	Increase (Decrease)
Administration	\$ 55,940	\$ 55,940	\$ -
Engineering	-	-	-
Street Lighting	-	-	-
Traffic Signals	-	-	-
Operating Division	525,000	393,671	(131,329)
Heat & Power Production	40,000	47,000	7,000

Capital Improvements	-	-	-
Total	<u>\$ 620,940</u>	<u>\$ 496,611</u>	<u>\$(124,329)</u>

Issues and Questions

1. Please explain why PLD which is a general fund agency is budgeting \$3 million for central staff services for the first time.
2. Please explain why utility accounts for gas and electricity are increasing over 2000%. If the 2004-2005 actual for gas really was \$1.8 million, why was only \$136,300 budgeted for 2005-2006. Why is the electrical account increasing by \$3.2 million when the 2004-2005 actual was only \$290,500?
3. Currently, what is the number of kwhs used for streetlights and traffic signals? What is the rate per kwh and what is the total cost?
4. If the city were to sell or close PLD, what is the total amount of kilowatt hours (kwh) the city would have to buy from a supplier to cover the city's street light and traffic signal needs, what would be the rate per kwh in that situation and what would be the amount needed to pay for this line item?
5. Again, if PLD was closed, what is the amount of power in kwhs that the city would have to buy to pay for power in city buildings that are used for general fund functions? Again, what would be the dollar amount needed for this line item?
6. Are all city buildings billed by PLD or just the non-general fund buildings?
7. How much has the city spent in capital costs for upgrades to the PLD system through the years?
8. Please explain in detail how a \$5 million piece of equipment is going to save \$17 million in natural gas purchases.
9. If it is cheaper to buy electricity from DTE than producing it, why did PLD buy \$5 million less in the current year than they plan to in 2006-2007?

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